

DECLARATION OF MAILING

I declare under penalty of perjury
that the contents of this document are true and correct.
Witness my hand and the seal of the State of Washington
this 11th day of June, 2004.
at Olympia, Washington.

Signed: Nancy Helley

STATE OF WASHINGTON

OFFICE OF
INSURANCE COMMISSIONER

Phone: (360) 725-7000

FILED

JUN 14 2004

Hearing Unit, OIC
Patricia D. Petersen
Chief Hearing Officer

In the Matter of)

Physicians Insurance a Mutual)
Company,)

An Authorized Insurer.)

No. D 04-114

NOTICE OF HEARING
TO REQUEST IMPOSITION
OF A FINE**I. Facts**

1. Physicians Insurance a Mutual Company ("Physicians") is authorized to transact the business of insurance in the State of Washington.
2. On January 27, 2003, the Office of the Insurance Commissioner ("OIC") received a form filing from Physicians. This filing came with a cover letter mentioning a change to an "underwriting rule", which had the effect of reducing the premium for the insurance.
3. By letter dated February 6, 2003, OIC disapproved the January 27, 2003 form filing because it did not include a summary of coverage changes for the revised forms as required by WAC 284-58-250(4). The letter also instructed Physicians that it would have to make a rate filing for the changed underwriting rule, and advised Physicians that form filings and rate filings had to be made separately, under WAC 284-58-250(6).
4. On May 14, 2003, OIC approved the January 27, 2003 form filing.
5. Physicians now contends that on March 24, 2003, it sent the OIC a rate filing. However, the OIC has no record of ever receiving this filing.
6. Between January 1, 2003, and May 13, 2003, Physicians renewed 512 policies, generating a written premium of \$3,634,887 using an unfiled rate in violation of RCW 48.19.043(2) and 48.19.040(6).

II. Impact

These violations of the insurance laws of Washington State by Physicians Insurance have cost the agency, and thereby the public, an inordinate amount in terms of agency time and money. There have been extensive communications with the insurer for several months and meetings with company officials regarding these filing problems.

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In addition, the company's failure to make a rate filing resulted in its filed rates being unavailable to the public when they should have been. Further, it is possible that a competitive advantage was gained by the company because its competitors were unable to view the rates when they became effective.

III. Penalties Requested

RCW 48.05.185 provides that after a hearing, the Insurance Commissioner may, in addition to or in lieu of the suspension or revocation of an insurer's certificate of authority, levy a fine of not less than one hundred fifty dollars and not more than ten thousand dollars. The OIC seeks to impose a fine of ten thousand dollars upon Physicians Insurance Company for its violations of RCW 48.19.040(6) and RCW 48.19.043(2).

IV. Notice of Hearing

The OIC will convene a hearing to consider the fine to be imposed on Physicians Insurance Company, pursuant to RCW 48.04.010(1).

Chief Hearing Officer, Patricia Petersen, P. O. Box 40255, Olympia, Washington 98504-0255, (360) 664-8767, has been appointed as Presiding Officer in this matter. A hearing is scheduled to commence before Chief Hearing Examiner Petersen to commence on August 16, 2004 at the hour of 10:00 AM or at such other date and hour as Chief Hearing Officer Petersen may order, at the Office of the Insurance Commissioner at 5000 Capitol Boulevard, Tumwater, Washington, and shall continue on succeeding days until terminated.

At the hearing, the OIC will present evidence concerning the violations enumerated above, and the fine or other sanctions which may be imposed upon the insurer. Physicians Insurance may present any defenses, evidence, or argument which it may have in opposition. In the event that Physicians Insurance fails to appear, the hearing will proceed as authorized by RCW 48.04.070.

The OIC will participate in this hearing through its designated representatives.

Dated at Tumwater, Washington, this 11th day of June 2004.

MIKE KREIDLER
Insurance Commissioner

By: William Kirby
William Kirby
Legal Affairs Division